DOCUMENT RESUME

ED 351 432 UD 028 979

TITLE	Compensatory Education. Most Chapter 1 Funds in Eight Districts Used for Classroom Services. Fact Sheet for Congressional Requesters.
INSTITUTION	General Accounting Office, Washington, D.C. Div. of Human Resources.
REPORT NO	GAO/HRD-92-136FS
PUB DATE	Sep 92
NOTE	18p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20877.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Reports - Research/Technical (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Compensatory Education; Disadvantaged Youth; Educational Finance; Educationally Disadvantaged; Elementary Secondary Education; *Federal Aid; Federal Programs; Financial Support; Research Methodology; *Resource Allocation; School Districts; *School District Spending; School Funds; School Surveys; Supplementary Education; *Urban Schools
IDENTIFIERS	Education Consolidation Improvement Act Chapter 1

ABSTRACT

In response to a request of the House of Representatives Committee on Education and Labor, the General Accounting Office (GAO) studied how school districts use funds for compensatory education under Chapter 1 of the Elementary and Secondary Education Act of 1965. To obtain this information, the GAO gathered Chapter 1 expenditures for the school year 1990-91 from eight selected large school districts in four states, two of which were urban. To meet student needs, districts used a variety of strategies, falling into the following categories: (1) classroom services (primarily salaries and benefits for teachers and teacher assistants, and supplies and equipment used in classrooms); (2) support services (primarily curriculum development, teacher training, activities to increase student involvement, and salaries and benefits for such personnel as counselors and truant officers); and (3) administration (primarily salaries and benefits for Chapter 1 coordinators and administrative staff, and supplies and equipment used to support the Chapter 1 program). In the eight districts studied, an average of nearly three of four Chapter 1 dollars went to classroom services during the 1990-91 school year. Most of the money went to salaries and expenses for supplemental teachers and teacher aides. Although the two urban districts had the lowest percentages of expenditures for classroom services, they differed from each other. One spent a smaller percentage of its Chapter 1 funds on classroom services than the other - 65 percent compared with 80 percent. Appendix 1 discusses the scope and methodology of the study. Appendix 2 gives an analysis of Chapter 1 expenditures in each district. Appendix 3 lists major contributions to the report. There are two tables and three graphs of study data. (SLD)

United States General Accounting Office

GAO

Fact Sheet for Congressional Requesters

September 1992

COMPENSATORY EDUCATION

Most Chapter 1 Funds in Eight Districts Used for Classroom Services

ED351432

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Office of Educational Research and Improvement
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United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-244922

September 30, 1992

The Honorable William D. Ford
Chairman, Committee on Education and Labor
House of Representatives

The Honorable Dale E. Kildee
Chairman, Subcommittee on Elementary,
Secondary, and Vocational Education
Committee on Education and Labor
House of Representatives

The Honorable Matthew G. Martinez
Chairman, Subcommittee on Human Resources
Committee on Education and Labor
House of Representatives

This report responds to your request for information on how school districts use funds for compensatory education under Chapter 1 of the Elementary and Secondary Education Act of 1965, 20 U.S.C. 2701. In fiscal year 1991, Chapter 1 gave about $5.5 billion to states and districts to provide supplemental educational services for students who are educationally disadvantaged.[1] You specifically asked what percentage of Chapter 1 grant funds goes directly to classroom uses.

To obtain this information, we gathered Chapter 1 expenditure data, for school year 1990-91, from eight judgmentally selected school districts in four states. All districts were relatively large: each exceeded 13,000 students and was in the top 4 percent of all school districts in terms of number of students; two were in urban centers. Economic conditions varied widely among the districts, with average poverty levels ranging from 10 to 54 percent.[2] To meet Chapter 1 student needs, the districts used a variety of strategies, such as pre-kindergarten classes and smaller class size. Additionally, some districts funded services for the Chapter 1 program from local funding sources. These expenditures were not included in our scope. (See app. I for details on our scope and methodology and for descriptive data on each district.)

[1]Educationally disadvantaged students are those students whose educational attainment is below the level that is appropriate for children of their age, as measured by objective criteria, such as standardized tests.

[2]School districts measure poverty by using the best available data for identifying children from low-income families. The districts may use data on children from families receiving Aid to Families With Dependent Children, families whose children are eligible under the National School Lunch Program, or other appropriate measures.

We obtained data from district Chapter 1 expenditure reports and categorized the expenditures as follows:

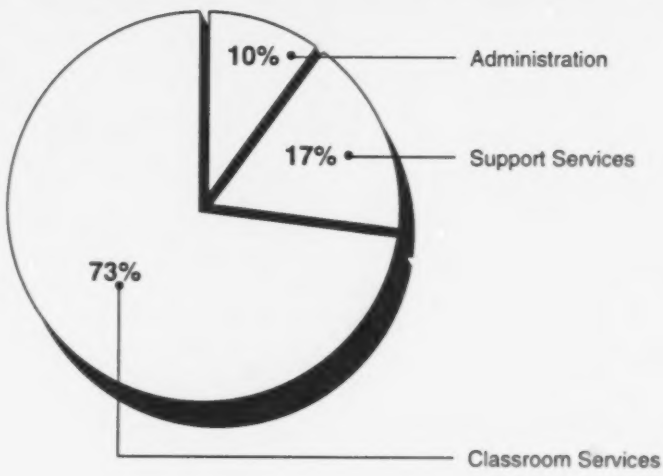
- Classroom services: primarily salaries and benefits for teachers and teacher assistants, as well as supplies and equipment used in the classroom.
- Support services: primarily curriculum development, teacher training, activities to increase student involvement, and salaries and benefits for such personnel as counselors and truant officers.
- Administration: primarily salaries and benefits for Chapter 1 coordinators and administrative staff, as well as supplies and equipment used to support the program.

On June 2, 1992, we briefed your offices' staff on the preliminary results of our analysis of expenditures in the eight districts. This report summarizes the information provided at that briefing.

Results in Brief

In the eight school districts we visited, an average of nearly three out of four Chapter 1 dollars went to classroom services during the 1990-91 school year. Most of these funds were for salaries and expenses for supplemental teachers and teacher aides (see fig. 1).

Figure 1: Average Chapter 1 Expenditures in Districts Visited
(School Year 1990-91)



The percentages for classroom services ranged from 65 to 90 percent. The two districts in urban centers had the lowest percentages of expenditures for classroom services. The primary difference between the two urban centers and the other six districts was in the percentage of funds spent for support services, such as counselors or programs to involve parents in their child's education. For example, one urban center spent 65 percent of its Chapter 1 funds for classroom services, the lowest of the eight districts, and 22 percent for support services, the highest of the eight districts. Remaining expenditures in this district were for administration.

The two urban center districts also differed from each other. One spent a smaller percentage of its Chapter 1 funds on classroom services than the other—65 percent compared with 80 percent. See appendix II for further analysis of each district's Chapter 1 expenditures.

Neither the law nor Chapter 1 regulations specify the percentage of funds districts should spend for classroom services. Districts used a larger percentage of their Chapter 1 funds for classroom services than the percentage of other district funds used for these services. The eight districts spent, on average, 62 percent of their total district funds, excluding Chapter 1 funds, for direct classroom services, compared with 73 percent, on average, of their Chapter 1 funds.

We carried out our review between December 1991 and May 1992 in accordance with generally accepted government auditing standards. Information from the eight districts cannot be generalized to other districts.

We discussed a draft of this report with Department of Education Chapter 1 officials, and incorporated their comments where appropriate.

We are sending copies of this report to other congressional committees, the Secretary of Education, and other interested parties. Should you wish to discuss its contents, please call me on (202) 512-7014. Other major contributors to this report are listed in appendix III.

Linda G. Morra
Director, Education and
Employment Issues

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Scope and Methodology

The requesters indicated that concerns had been raised about too little of Chapter 1 funding going directly to classroom services. They asked us to study the uses of funding under the Chapter 1 program of the Elementary and Secondary Education Act.

As detailed Chapter 1 expenditure data are available only at the school districts, we visited eight school districts in four states—Colorado, Florida, Michigan, and North Carolina. The districts were judgmentally selected and varied in several ways. First, all of the districts were relatively large: size varied from about 13,000 to about 300,000 students and, in fiscal year 1991, Chapter 1 expenditures ranged from about $840,000 to about $65 million. Second, economic conditions varied, as measured by the percentage of students from low-income families. Third, districts employed different Chapter 1 educational strategies. For example, some districts used "pull-out programs," in which Chapter 1 students are removed from their regular classrooms for part of the day to receive supplemental services. Others relied on different strategies for Chapter 1 students, such as computer home loan programs or special pre-kindergarten programs. Finally, the districts varied in administrative structure. The two districts in urban centers were divided into administrative subdistricts, usually with each having its own Chapter 1 coordinator; the other districts were not so divided.

We obtained data from district expenditure reports. We did not verify the accuracy of the reports directly; instead, for each district, we reviewed the most recent single audit report. These reports did not disclose any material weaknesses in district internal controls.

The district expenditure reports did not distinguish expenditures for classroom services from other district expenditures. To determine what funds were spent for classroom services, we reviewed records and discussed expenditures with district officials. Based on records and officials' explanations, we categorized expenditures as classroom services, support services, or administration.

- Classroom services: primarily salaries and benefits for teachers and teacher assistants, as well as supplies and equipment used in the classroom.
- Support services: primarily curriculum development, teacher training, activities to increase student involvement, and salaries and benefits for such personnel as counselors and truant officers.

- Administration: primarily salaries and benefits for Chapter 1 coordinators and administrative staff, as well as supplies and equipment used to support the program.

In all cases, we classified the Chapter 1 coordinator's salary as administration. Information was not available to allow us to consistently categorize all expenditures, however. For example, some districts had parental involvement efforts or teacher training efforts that were separately accounted for; we classified them as support services. In other districts, the Chapter 1 coordinator or teachers carried out these efforts. In those cases, the expenses could not be broken out and are included in administration (Chapter 1 coordinator activities) or classroom services (teacher activities). We believe these inconsistencies do not substantially affect the classification of funds among the three categories.

Additionally, our analysis was limited to Chapter 1 grant expenditures. It did not include Chapter 1 program activities paid from district or other funding sources. For example, some districts provided personnel, equipment, or office space that were allowable Chapter 1 expenses, but did not charge them to the Chapter 1 grant. Additional descriptive data on each district are included in table I.1.

Table I.1: Selected Characteristics of School Districts Visited

Characteristic	Dade County, Florida[a]
Districtwide:	
Expenditures (school year 1990- 91)[g]	$1,894,076
Number of students	292,411
Number of schools	271
Percentage of students from low-income families	45
Chapter 1:	
Expenditures (school year 1990- 91)[g]	$42,064
Schools	85
Students	35,086
Grades served	Pre-K[h] to 6

School districts						
Detroit, Michigan	Adams 12, Colorado[b]	New Bern- Craven County, North Carolina[c]	Dearborn, Michigan[d]	El Paso Co., School District 11, Colorado[e]	Grand Rapids, Michigan	Wake County, North Carolina[f]
$945,317	$101,033	$69,104	$75,361	$128,943	$149,268	$336,900
168,956	20,898	14,248	13,380	30,070	22,248	65,958
247	32	19	23	52	52	84
54	14	39	10	17	38	18
$65,450	$842	$1,651	$952	$2,558	$4,052	$3,018
218	8	15	6	20	24	52
87,940	929	1,463	348	1,765	2,188	4,303
Pre-K to 12	Pre-K to 6	K to 8	Pre-K to 3	Pre-K to 6	Pre-K to 8	Pre-K to 8

[a]Includes Miami.

[b]Includes Thornton and Northglenn, northeast suburbs of Denver.

[c]Includes New Bern, in eastern rural North Carolina.

[d]A western suburb of Detroit.

[e]Includes Colorado Springs.

[f]Includes Raleigh.

[g]Dollars in thousands.

[h]K = Kindergarten.

Analysis of Chapter 1 Expenditures in Eight School Districts (School Year 1990-91)

Chapter 1 funds may be used for a wide range of services to meet the special needs of educationally deprived children. For example, authorizing legislation and implementing regulations permit school districts to use Chapter 1 funds to pay teacher salaries, buy equipment and instructional materials, and involve parents in their child's education.

For the school districts we visited, Chapter 1 expenditure data are summarized in table II.1. The sections that follow the table explain those expenditures.

Table II.1: Percentage of Chapter 1 Funds Spent for Major Functions in School Districts Visited (School Year 1990-91)

Numbers in percent

	School districts		
Account classification	Dade County	Detroit	Range for six smaller districts
I. Classroom services			
Teachers and aides	75	54	79 to 90
Supplies and equipment	5	10	<1 to 7
Field trips and transportation	<1	1	0 to 1
II. Support services			
Educational specialists: direct pupil service	1	16	0 to <1
In-house training (salaries)	3	4	0 to 4
Parent involvement (salaries)	9	0	0 to 5
Supplies and equipment	1	2	<1 to 5
III. Administration			
Coordinator, supervision, and clerical	2	7	1 to 9
Operation and maintenance	1	2	0 to 0
Supplies and equipment	<1	1	<1 to 5
Indirect cost	3	3	0 to 4

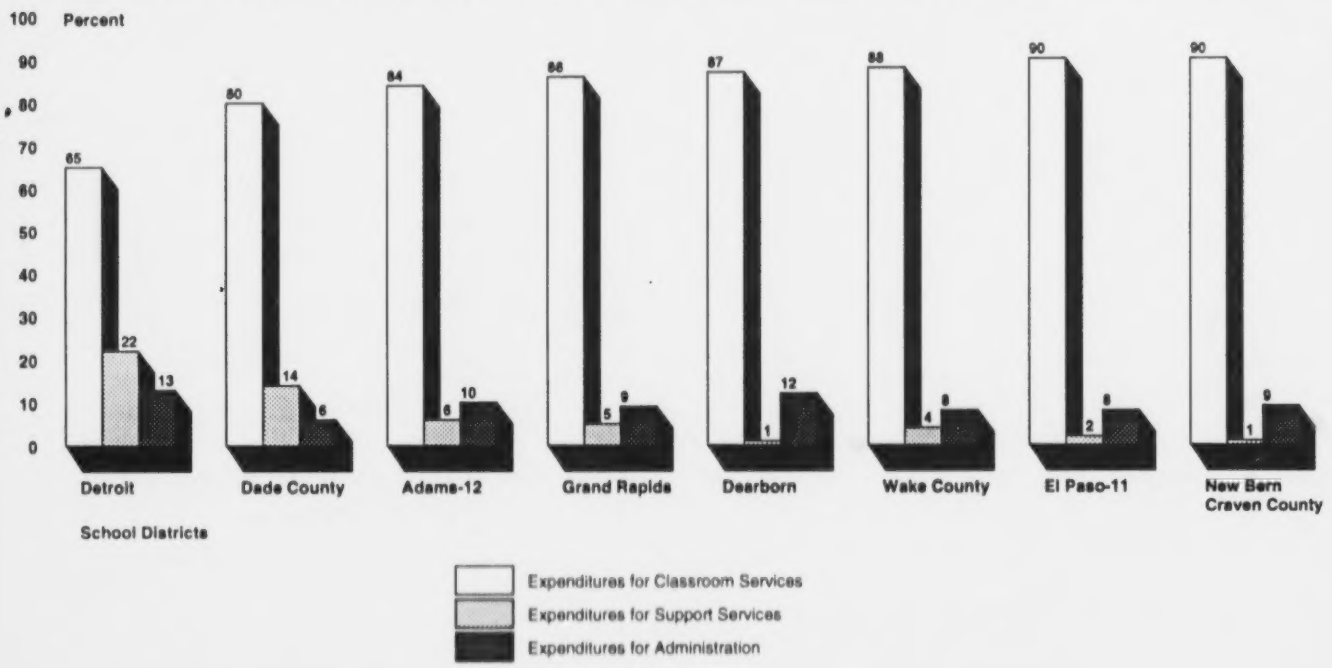
Classroom Services Account for Most Expenditures in the Eight Districts

On average, the eight districts used about 73 percent of their Chapter 1 expenditures for classroom services. That is, in school year 1990-91, about $88 million of about $121 million was used for these services, primarily for salaries and benefits for supplemental teachers and aides. Most of the remainder was used for support services.

The lowest percentage of expenditures on classroom services was in Detroit, which spent 65 percent of its Chapter 1 funds for these services. Dade County spent the next lowest, 80 percent. Expenditures in this

category for the six other districts ranged from 84 to 90 percent, as shown in figure II.1.

Figure II.1: Chapter 1 Expenditures for Major Functions by School Districts Visited (School Year 1990-91)



Support Services Expenditures Highest in Urban Centers

The primary difference between the two urban center districts and the other six districts was in the percentage of expenditures for support services. These expenditures averaged 3 percent in the six smaller districts; in contrast, Detroit spent 22 percent and Dade County 14 percent, as shown in figure II.1.

Most of Detroit's expenditures for support services were for truant officers, social workers, and counselors—all serving Chapter 1 students. Chapter 1 students, Detroit officials said, are more likely to come from poor and unstable homes and to skip school than non-Chapter 1 students. Therefore, these officials believed, the additional staff were needed to

ensure that Chapter 1 students attend school and to work with families to ensure that students stay in school.[1]

Dade County's expenditures for support services were primarily to teach parents how to reinforce the training students were receiving in the classroom and how to encourage school attendance. The Florida legislature requires Chapter 1 schools to establish an outreach program that conforms to goals set forth in federal legislation and includes home visits. The legislation also requires an annual report to the Florida Department of Education.

The other districts had some expenditures for support services that could not be broken out separately. Therefore, they are included either in classroom activities—for example, training for classroom teachers—or administrative expenses—for example, district Chapter 1 coordinator activities to involve parents.

Administration Was Less Than 10 Percent of Expenditures in Most Districts

The percentage of Chapter 1 funds spent for administration averaged 9 percent in the six smaller districts. Of the two urban center districts, Detroit spent 13 percent of its funds on these expenses; Dade County, about 6 percent, as shown in figure II.1.

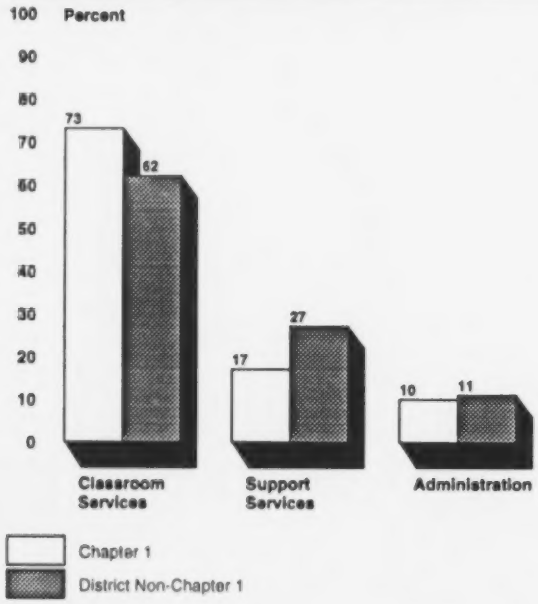
A partial explanation for the differences in the percentage of Chapter 1 funds used for administration is that some districts do not charge all allowable expenses to Chapter 1. We did not review records to determine the extent to which this occurred. In each district except the three Michigan school districts, however, officials cited examples of Chapter 1 activities not charged to the Chapter 1 program. For example, one district did not charge all salary costs for the time spent by the Chapter 1 teachers; another district did not charge for indirect costs. In both cases, the district could have used Chapter 1 funds for these purposes. Additionally, the difference between Dade and Detroit is partially explained by the scope of the Chapter 1 program in these districts. While each district has six subdistricts, Dade County has Chapter 1 administrative units at only four of the subdistricts; Detroit has Chapter 1 administrative units at each of the six subdistricts.

[1]Of the districts we visited, Detroit had the highest percentage of children from low-income families—54 percent, compared with 10 percent in the district with the lowest percentage of such children, Dearborn. Under Chapter 1 regulations, an individual school may be eligible for Chapter 1 services if, among other things, the percentage of children from low-income families at that school exceeds 25 percent; all of Detroit's schools exceeded this criterion.

Comparison of Chapter 1 Expenditures With Other Expenditures

Neither the law nor regulations give criteria for the percentage of Chapter 1 funds that should be spent for classroom services, support services, or administration. In the districts visited, however, Chapter 1 expenditures were directed more toward classroom services than were other school district expenditures. For example, when compared with Chapter 1 expenditures, districts used a greater percentage of their non-Chapter 1 funds for support services, about the same percentage for administration, and less for classroom services, as shown in figure II.2.

Figure II.2: District Average Chapter 1 and Non-Chapter 1 Spending for Major Functions



Note: Chapter 1 expenditures for school year 1990-91 are compared with other district expenditures for the most recent period available. For example, comparison for the Colorado districts is with expenditures for calendar year 1990.

Major Contributors to This Report

Human Resources Division, Washington, D.C.	Ruth Ann Heck, Assistant Director, (202) 512-7007
Detroit Regional Office	Charles R. Coughenour, Regional Assignment Manager Robert D. Tracy, Evaluator-in-Charge Laura L. Miner-Kowalski, Senior Evaluator Rebecca L. Thompson, Evaluator David G. Ehrlich, Evaluator

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